What Commercial Real Estate Owners and Developers Should Know About Investments in Solar Electric Systems- Executive Summary

This paper specifically aims at providing commercial property owners and developers an understanding of the financial model that makes solar energy systems an attractive investment. There are four primary revenue flows which provide the mechanism for achieving a return on investment associated with installation of a solar PV system.

These are:

- **Federal 30% Investment Tax Credit**: processed as a Treasury Department 1603 Tax Grant.
- **Accelerated 5 Year Depreciation Schedule for designated "Energy Property":**
  - A net loss that further can be used to offset other tax liabilities for the entity or their owners.
- **Solar Renewable Energy Credits (SRECs) income.**
  - In Massachusetts, there are Renewable Portfolio Standards (RPS's) that mandate and control the sales of SRECs. For 2010, the actual SRECs values averaged $500. Since the average electric power price in MA is .115 $/kWh (or 11.5 cents/kWh) you can see that the SREC revenue can be 2-5 times the retail value of the electric power the system generates.
- The energy generated by a PV system directly reduces the amount of energy that needs to be purchased by an end user.

***Inauguration of a 111KW PV system in Springfield 2010* - far left: Secretary Ian A. Bowles, Mayor Domenic J. Sarno, Nathan Smith (AGE Vice President), Mike Ortolano (AGE President (dark glasses)) Far right: Glenn Frohring (AGE Vice President)**

The IRR's based on cash flow range from 7 to 19%, depending on the duration of the investment and without taking credit for proceeds from the sale of the investment. The IRR including tax benefits range from 20 to 47%, depending on the duration of the investment and without taking credit for proceeds from the sale of the investment.

See how doing the right thing can make you money!

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